

**SPECIAL STATE CREDIT UNION BOARD MEETING  
HELD BY CONFERENCE CALL  
OFFICE OF THE COMMISSIONER  
DEPARTMENT OF FINANCIAL INSTITUTIONS  
2000 SCHAFFER STREET, SUITE G  
BISMARCK, NORTH DAKOTA**

**February 7, 2013**

A special meeting of the State Credit Union Board was called to order by Chairman Entringer in the Office of the Commissioner, Department of Financial Institutions, 2000 Schaffer Street, Suite G, Bismarck, North Dakota, at 9:31 a.m., Thursday, February 7, 2013.

MEMBERS PRESENT: Robert J. Entringer, Chairman (*Office*)  
Paul Brucker, Member (*Office*)  
Don Clark, Member (*Fargo*)  
Steve Tonneson, Member (*Office*)  
Melanie Stillwell, Member (*Williston*)

MEMBERS ABSENT: None

ALSO PRESENT: Aaron Webb, Secretary (*Office*)  
Janilyn Murtha, Assistant Attorney General (*Office*)  
Corey Krebs, Chief Examiner – Credit Unions (*Office*)  
Taylor Lee, Financial Institutions Examiner (*Office*)  
Sara Sauter, Financial Institutions Examiner (*Office*)  
Deb Gallagher, Capital CU, Bismarck (*Office*)  
Steve Davis, Capital CU, Bismarck (*Office*)  
Vance Reinbold, Capital CU, Bismarck (*Office*)  
Jon Griffin, Capital CU, Bismarck (*Office*)  
Lance Gaebe, New Salem CU (*Office*)  
Greg Tschider, Bismarck (*Office*)

## **CAPITAL CREDIT UNION, BISMARCK, TO MERGE INTO NEW SALEM CREDIT UNION, NEW SALEM**

Chairman Entringer explained that New Salem Credit Union submitted an application to expand its field of membership; however, the Department did not publish the legal notice according to the North Dakota Administrative Code. Chairman Entringer added this application will be brought before the Board at its regular meeting to be held on March 22, 2013.

Assistant Commissioner Webb reviewed his Memorandum dated January 29, 2013, which indicates the Department received the merger application on December 28, 2012. Assistant Commissioner Webb noted Section 6-06-36 of the North Dakota Century Code refers to the right of credit unions to merge. Assistant Commissioner Webb also reviewed the procedures of Section 13-03-05-01 of the North Dakota Administrative Code. Assistant Commissioner Webb indicated all the requirements of the North Dakota Administrative Code have been met, and that no comments were received regarding the proposed merger.

Assistant Commissioner Webb indicated the Board of Directors of New Salem and Capital approved a Resolution to merge on November 8, 2012, and October 2, 2012, respectively. Assistant Commissioner Webb indicated the membership of New Salem approved the merger on December 6, 2012, by a vote of 291-4, and the membership of Capital approved the merger on December 27, 2012, by a vote of 64-4.

Assistant Commissioner Webb indicated notice of the proposed merger was mailed to all credit unions within the field of membership of Capital and included in the Department's December 2012 and January 2013 Bulletins.

Assistant Commissioner Webb indicated Capital sent a notice of special meeting to its membership on December 7, 2012, and the meeting was held on December 27, 2012, resulting in a 20-day notice to members. Assistant Commissioner Webb indicated New Salem sent a notice of special meeting to its membership on November 16, 2012, and the meeting was held on December 6, 2012, resulting in a 20-day notice to members.

Assistant Commissioner Webb indicated the merged credit union is expected to be well capitalized and financially sound, with a combined net worth ratio projected to be approximately 8.79%. Assistant Commissioner Webb added that

the merged credit union is expected to be well managed as it is acquiring Capital's management team.

Assistant Commissioner Webb indicated that New Salem has indicated its intention to continue operations in the former main office and branches of Capital, as provided by North Dakota Century Code Section 6-06-36.

Assistant Commissioner Webb reviewed the Articles of Amendment to the Bylaws submitted by New Salem regarding Article I, Section 1, Certificate of Organization, whereby the merged credit union will be known as Capital Credit Union; as well as Article VIII, Section 1, Board of Directors, which will change the makeup of the Board of Directors of the merged credit union.

Mr. Gaebe explained the Board of Directors of New Salem concluded that the challenges of growth to respond to the needs of technology and profitability would best be met by merging with another credit union. Mr. Gaebe indicated several credit unions across the state were contacted regarding a possible merger with New Salem, and merging with Capital was resoundingly approved, as shown by the membership vote.

President Gallagher indicated Capital also received membership support for the merger with New Salem. President Gallagher added that Capital staff has been working closely with New Salem in preparation for this meeting, as well as consolidation of the operations, with the end result of providing great service to all members.

Member Tonneson questioned the item of Capital paying off borrowings of \$14.5 million. Mr. Reinbold explained as of December 31, 2012, Capital had borrowings of \$14.5 million from Federal Home Loan Bank, and this amount will be paid off as of the effective date of the merger. The end result will be a decrease in total assets and will improve the net worth ratio to above 9%.

Member Stillwell indicated since Capital is merging into New Salem, she questioned if Capital is acquiring New Salem's bylaws. Mr. Tschider indicated that is correct since New Salem is the surviving credit union; therefore, New Salem's bylaws will continue. Mr. Tschider added the bylaws may have to be amended if the merger is approved; however, the Board of Directors of New Salem decided they did not want to address these changes at this time.

Member Stillwell referred to the statement in Eide Bailly's December 12, 2012, letter that based upon documentation provided to them, they have determined there would be an immaterial impact to the merged financial statements of Capital; however, questioned if New Salem is the surviving entity, wouldn't this be a material impact to New Salem's financial statements. Chief Examiner Krebs indicated the accountants are considering Capital as the surviving entity since it is the major party in the merger, even though the legal surviving entity is New Salem.

Member Stillwell questioned why New Salem is considered the surviving entity; however, at the same time, changing the name to Capital. Mr. Tschider explained that certain credit unions have received exemptions from NCUA's member business loan restriction that only 12.25% of the assets can be member business loans. Mr. Tschider added since Capital has a limitation on member business loans and New Salem has received an exemption, the desire is to maintain New Salem's charter and bylaws in order to receive the benefit of the member business loan exemption.

In response to Member Clark's question if there will be a name change in the future, Chairman Entringer pointed out that change is included in the proposed amendment to Article I, Section 1.

Member Brucker asked Chairman Entringer if the merger is approved, does he foresee any challenges or material issues operating under New Salem's bylaws. President Gallagher stated they do not foresee any major obstacles, adding that they will continue to work with New Salem's Supervisory Committee to make sure there are good audit plans going forward.

Chairman Entringer indicated there could be significant revisions to the bylaws proposed at the next annual meeting, and President Gallagher stated a special meeting may be called to address these issues. Chief Examiner Krebs added he has reviewed the bylaws of Capital and New Salem, and for the most part the bylaws are very comparable; however, policies will have to be updated.

Assistant Commissioner Webb indicated the Department recommends approval of the merger application by New Salem to merge Capital into New Salem, and that the Board give Chairman Entringer authority to sign the proposed Order on the Board's behalf. Assistant Commissioner Webb indicated the Department also recommends approval of the amendments to New Salem's Articles of Incorporation.

**It was moved by Member Clark and seconded by Member Brucker to approve the application for New Salem Credit Union, New Salem, to merge Capital Credit Union, Bismarck, into New Salem Credit Union, New Salem, and that Chairman Entringer be authorized to sign the Order on behalf of the State Credit Union Board; and that the Amendments to the Bylaws, Article I, Section 1, and Article VIII, Section 1, be approved.**

Chairman Entringer reviewed the conditions of the proposed Order for the Board.

After further discussion, **the motion was unanimously carried.**

All representatives of Capital Credit Union, Bismarck, and New Salem Credit Union, New Salem, left the meeting at this time.

## **NORTH STAR COMMUNITY CREDIT UNION, MADDOCK – ARTICLES OF AMENDMENT TO THE BYLAWS**

Chairman Entringer stated at its December 14, 2012, meeting the Board tabled action on Articles of Amendment to the Bylaws submitted by North Star Community Credit Union since they were not consistent with the existing bylaws. Chairman Entringer indicated North Star Community Credit Union has made corrections and is now presenting the Articles for consideration by the Board.

**It was moved by Member Brucker, seconded by Member Tonneson, and unanimously carried to approve the Articles of Amendment to the Bylaws, Article VII, Elections.**

The meeting adjourned at 10:03 a.m.

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Robert J. Entringer, Chairman

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Aaron K. Webb, Secretary